

C O N F I D E N T I A L

file Act 2

27 June 1985

Harry:

Allen tells me today that we will be "testing" a flat rate per diem plan in OD&E for six months. I had said I would give you points that I thought were "the good" about the flat rate and a proposal. I had it in draft, but I am submitting it anyway, even though you appear to be in agreement already. My points are these:

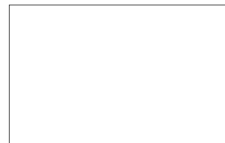
FLAT RATE ADVANTAGES

1. Accounting time required by the traveler: greatly reduced.
2. Requirement for receipts: eliminated.
3. Storage, handling and verification of information: essentially eliminated.
4. OF/OP processor time: greatly diminished.
5. Appeals and questions by the travelers: greatly reduced.
6. Temptation to fudge!!!: eliminated.
7. Morale of the troops: significantly improved.
8. The DA: seen as streamlining the system and helpful.

PROPOSAL:

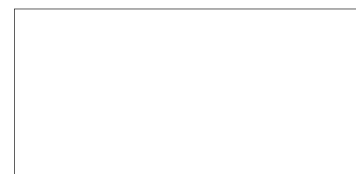
o Offer the option for actual per diem rate in the U.S.--which ranges between \$50 and \$75 in CONUS and a bit higher in Hawaii--compared with a 10 percent reduction in per diem rates in all locations with no accountability.

o Travelers would be expected to be consistent in each location on the itinerary in making their choice between flat rate and actual, i.e., employee traveling between Los Angeles and Cleveland must declare which method they would use in each location. (Note: This idea may be too cumbersome and perhaps we would prefer to have travelers declare their choice for the whole trip versus city-by-city.



25X1

All Portions CONFIDENTIAL



25X1

C O N F I D E N T I A L

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Flat Rate Per Diem System

FROM

SSA/DDA, 7D10 Headquarters

EXTENSION

NO.

DATE

25 April 1985

25X1

25X1

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

A DDA

2.

DDA

3.

4.

File Per Diem

Act 2

5.

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The difference between ACTUAL and FLAT RATE methods is \$321,000 per annum for the first year (\$1,128,000 minus \$807,000).

After automation, i.e., from years 2 to infinity, it will cost \$248,000 per annum (\$1,128,000 minus \$880,000).

Factors to be considered:

1. Accounting time required by the traveler: greatly reduced.
2. Requirement for receipts: eliminated.
3. Storage, handling and verification of information: essentially eliminated.
4. OF/OP processor time: greatly diminished.
5. Appeals and questions by the travelers: greatly reduced.
6. Temptation to fudge: eliminated.
7. Morale: significantly improved.
8. Seems worth it to us.

25X1

Concur. BM.

24 APR 1985

ADPP 98-85

MEMORANDUM FOR: Deputy Director for Administration

FROM: Allen R. Elkins
Director of Finance

SUBJECT: Estimated Cost of Establishment of a Locally Based
Flat Rate Per Diem System for Domestic Travel

1. To date there have been several estimates of the cost to the Agency of implementing a locally based flat rate per diem system for domestic travel. In May of 1984 the Office of Finance reported on a flat-rate per diem survey conducted on a sampling of 459 travel vouchers, at that time it was determined that the initial yearly cost of implementing this system would be approximately \$600,000 in the first year.

2. Recently the Office of Personnel, Central Travel Services has conducted their own survey of flat-rate per diem costs. This study shows that with a totally automated travel accounting system, which we do not yet have, the costs of travel will be \$880,000 in the first year of implementation. If implementation were to take place today, without total automation, the cost of this system would be approximately \$1,128,000.

3. The Office of Finance recognizes the desirability of a flat-rate per diem system from an employee morale point of view. However, given the current budget restraints and anticipated future funding limitations a serious consideration of the increased costs of this program must be made prior to its implementation.

 25X1
Allen R. Elkins

 25X1

CONFIDENTIAL

FLAT RATE PER DIEM
(NON-ACCOUNTABLE FIXED RATE FOR LOCALITY)

ACTUAL SUBSISTENCE EXPENSES

1. SAVE \$30 PER VOUCHER WITH CURRENT METHODS RATHER THAN FLAT RATE.
2. COSTS \$32 TO PROCESS DOMESTIC TDY TRAVEL VOUCHER.
3. WE ARE SPENDING \$32 TO SAVE \$30 ON AVERAGE DOMESTIC TDY.
4. ANNUAL PROCESSING COST OF CURRENT SYSTEM-\$800,000 (\$32X25,000).

FLAT RATE (WITHOUT AUTOMATION)

1. ESTIMATED COST OF \$15.10 TO PROCESS DOMESTIC TDY TRAVEL VOUCHER.
2. TRAVELLER RECEIVES \$30 MORE PER VOUCHER TO DEFRAY EXPENSES.
3. ANNUAL PROCESSING COST OF SYSTEM IS \$378,000.

FLAT RATE (WITH AUTOMATION)

1. ESTIMATED COST OF \$5.20 TO PROCESS AVERAGE DOMESTIC TDY TRAVEL VOUCHER.
2. TRAVELLER RECEIVES \$30 MORE PER VOUCHER TO DEFRAY EXPENSES.
3. ANNUAL PROCESSING COST OF PROPOSED SYSTEM IS \$130,000.

FLAT-RATE PER DIEM SURVEY
2 Through 13 April 1984

CTB Accountings Processed	235
NPFB Accountings Processed	<u>224</u>
TOTAL Accountings Processed	<u>459</u>
Accountings Not Used for Survey	<u>69</u>
Total Accountings Used for Survey	<u>390</u>
 Dollar Value of CTB Survey Accountings	 \$108,966
Dollar Value of NPFB Survey Accountings	<u>110,053</u>
Total Dollar Value of Survey Accountings	<u>\$219,019</u>
 Actual Dollar Value Subsistence/Per Diem Allowed	 \$ 75,532
Dollar Value Subsistence Under Flat-Rate Per Diem	<u>87,427</u>
 Dollar Value Increase Under Flat-Rate Per Diem*	 <u>\$ 11,895</u>
 Total Dollar Value Increase Under Flat-Rate Per Diem = \$11,895 x 2 For Two Week Period**	 \$ 23,790
 Total Yearly Increase = \$23,790 x 26	 \$618,540
 Audit Cost of 390 Accountings***	 \$ 618
 Total Agency Audit Costs = \$618 x 2 For Two Week Period**	 \$ 1,236
 Total Yearly Audit Cost = \$1,236 x 26	 \$ 32,136
 Projected 50% Audit Savings By Use Of Flat-Rate Per Diem	 <u>\$ 16,018</u>

* Based on 50% of the estimated domestic travel vouchers submitted during the survey period.

** Projected to 100% of * above.

*** Represents cost of auditors time based on the hourly pay rate of the auditors involved in the survey.

/ ADMINISTRATIVE - INTERNAL USE ONLY

14 MAR 1985
ADPP 53-85

MEMORANDUM FOR: Deputy Director for Administration

FROM: Allen R. Elkins
Director of Finance

SUBJECT: Establishment of Flat Rate Per Diem
System for Domestic Travel

Harry -

1. This office has been following with great interest the testing of the proposed flat rate per diem for Domestic Travel and we agree that employee morale improves, and the system has certain benefits. Our employees are experiencing hardship while on domestic TDY, particularly due to the high costs in certain areas. The required accounting process for their expenses is cumbersome. The benefits of the flat rate per diem process does make it attractive.

2. As you know the Department of the Air Force, the Defense Logistics Agency, and the Defense Contract Audit Agency (DCAA) have been granted authority in the DOD Authorization Act to run a two year test of a locally based flat rate per diem system and they are now about to report some of their findings to Congress. We have recently contacted Air Force in an effort to discover the results of their program and inquire as to what would be their recommendations to Congress. While their report was not yet in its final stage we did manage to obtain the essence of the recommendations. As was expected the Air Force realized a marked increase in employee morale which is said to have enhanced productivity and efficiency. Many of the sites conducting flat rate per diem testing noticed a reduction in the time required for travel voucher preparation and processing. With the development of a fully automated travel accounting system they believe achievement of some cost savings in overall administrative expenses will occur. However it must be noted that the testing in no way demonstrated that overall travel costs were reduced, as a matter of fact the Air Force noted an increase in travel costs. DCAA has had basically the same findings as the Air Force.

3. We were advised at the Small Agency Financial Managers Council, by Mr. Coffee of DCAA, that both DCAA and the Air Force were planning to appeal to the DOD Per Diem Board for changes to the process. DCAA was going to suggest lowering the maximum per diem rates for certain cities and the Air Force was going to request that lodgings be accounted for separately.

ADMINISTRATIVE - INTERNAL USE ONLY

ADMINISTRATIVE - INTERNAL USE ONLY

4. While we are in agreement with the concept and the use of the flat rate per diem process, we must caution that tests to date have indicated that travel costs will increase rather than decrease. Thus, lower travel costs cannot be used as a justification for adoption of this process. The DOD elements involved in the testing of the flat rate per diem concept were given Congressional approval to do so through the authorization process. While the DCI may have the authority to approve the use of the flat rate per diem methodology we believe the Agency must inform our oversight committees (SSCI and HPSCI) prior to implementation.

5. In reviewing the memorandum prepared by the Office of Personnel we noted a couple of areas that needed modification and that it exceeded a page in length. We have prepared a revised memorandum for the DCI, reducing the length to one page and adding to the recommendation a caveat that it will not be implemented until our Committees have been advised of our proposed action and that statistics will be maintained for a ten month period to determine if the application of flat rate per diem should continue beyond our recommended one-year trial period. Copies of our revised memorandum have been provided

STAT and Mr. McGee.

25X1

Allen R. Elkins

ADMINISTRATIVE - INTERNAL USE ONLY

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence
Executive Director

FROM: Harry E. Fitzwater
Deputy Director for Administration

SUBJECT: Establishment of Flat Rate Per Diem System
for Domestic Travel

1. Action Requested: Your approval to establish a flat rate per diem system for domestic travel on a trial basis of one year. Flat rate per diem is defined as a nonaccountable fixed allowance while in an official travel status.

2. Background: The Agency currently uses three different methods to compute per diem for domestic TDY travel (High Rate Geographic Areas/Actual Subsistence; Lodgings Plus; and Mixed Mode). It does so in order to comply with legislative requirements and the regulations administered by General Services Administration (GSA).

GSA proposed to Congress that a flat rate per diem system be adopted for travel in the United States. Congress appeared cool to the proposal, but did authorize, in the DOD Authorization Bill for 1985, the Air Force, Defense Contract Audit Agency (DCAA), and Defense Logistics Agency (DLA), to run a two-year test of the concept starting in February 1984. The concept is good because it greatly simplifies the accounting process and would make automation of the whole travel accounting process much simpler to accomplish.

These organizations were to report back to Congress in March 1985. While the test results have not been published, we understand that they all wish to continue with the flat rate concept with modifications. Travel reimbursements have increased but employee morale has soared. Faster processing of the accountings, with less audit time, and a reduction in the amount of training time now required to prepare and process travel accountings are other benefits.

3. Recommendation: That you approve the adoption of a flat rate per diem system for the Agency on a one-year trial basis. Statistics will be maintained and reviewed at the end of ten (10) months for the purpose of submitting a recommendation for the continuation or termination of the system. This recommendation has been concurred in by the Office of General Counsel. Appropriate Congressional Committees will be advised prior to implementation.

Harry E. Fitzwater

CONFIDENTIAL

9 May 1985

25X1

25X1

I discussed the attached with [] and he agreed the difference if \$321K. He can't explain why the memo suggests in paragraph 2 \$1,128,000. He also confirmed that these memoranda have been returned to finance once again for a review and recommendation for reduction of per diem to make up for the additional cost.

25X1

We've been sending this whole issue back and forth for several months. If there's some way that you could arrange a meeting with the DDA, ADDA, Director of Finance, [] and the SSA to discuss the matter and quit sending memoranda back and forth, it'll certainly save a lot of time.

Listening to both sides, it appears they're saying the same thing but it's not coming out that way.

25X1

25X1

Returned
 Ed - In the recent one-on-one
 with Harry both he and
 Jim say it will cost us
 \$1,128 K. I felt it ~~was~~
 was \$321 K.
 Confirmed this. One conclusion
 it worth it. Ch.

25X1

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Establishment of Flat Rate Per Diem System for Domestic Travel

FROM:

Harry E. Fitzwater
Deputy Director for Administration
7D24 Hqs

EXTENSION

NO.

11 JUN 1985

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

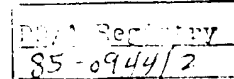
OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. O/Comptroller
7C36 4E06 Hqs
- 2.
3. Executive Registry
7E 12 Hqs
- 4.
5. Executive Director
- 6.
7. Deputy Director of
Central Intelligence
- 8.
9. Director of
Central Intelligence
- 10.
11.
DDA/OP/CTS
12. 1D70 Hqs
- 13.
- 14.
- 15.

*I recommend we
give this a trial
for one year. It
will probably cost
more but should
reduce the administrat-
ive burden.*

Harry



11 JUN 1985

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence
Executive Director

FROM: Harry E. Fitzwater
Deputy Director for Administration

SUBJECT: Establishment of Flat Rate Per Diem System
for Domestic Travel

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/s/ Harry E. Fitzwater

Harry E. Fitzwater

SUBJECT: Establishment of Flat Rate Per Diem System for
Domestic Travel

CONCUR:

Executive Director

Date

Deputy Director of Central Intelligence

Date

APPROVED:

Director of Central Intelligence

Date

DD/A Registry
35-6944/3

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Establishment of Flat Rate Per Diem System for Domestic Travel

FROM:

Acting Director of Finance
1212 Key Bldg.

EXTENSION

NO

DATE

29 May 1985

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

DDA /EXO
7D24 Hqs

29 MAY 1985

1740

EW

Harry

2.

ADDA

29 MAY 1985

J

I feel sure that the attached is not what you wanted to get from us. We really would have preferred to give you a more positive response but just could not.

3.

DDA

4.

Hope you appreciate our position.

5.

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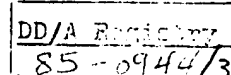
11.

12.

13.

14.

15.



29 May 1985
ADPP 125-85

MEMORANDUM FOR: Deputy Director for Administration

FROM:


Acting Director of Finance

25X1

SUBJECT: Flat Rate Per Diem for Domestic Travel

REFERENCES: A. Proposal for Establishment of Flat Rate Per Diem
dated 10 January 1985
B. D/F Response to Ref A dated 14 March 1985
C. D/F Response to Ref A dated 24 April 1985

1. This memorandum responds to your verbal tasking of the Director of Finance for implementation of a system of flat rate per diems for domestic travel which would not result in travel costs higher than those incurred under the current system of actual subsistence expenses. References B and C outline this Office's observations that adoption by the Agency of a flat rate per diem concept currently in use by the Air Force and Defense Logistics Agency will result in additional travel costs of approximately nine percent over those presently being incurred. A survey conducted by Central Travel Services dated 18 April supports our position.

2. In broad categories, travel costs are made up of transportation, subsistence, and miscellaneous expenses. Obviously, in order to implement a flat rate concept at no additional cost, one or all of these three expense categories must be modified so as to accrue the required nine percent savings necessary for breaking even. Transportation expenses are not controllable and cannot be reduced by this Agency. Aside from further limiting of first and business class fares which amount to very little domestically, air fares and transportation costs are set rates beyond our control. Miscellaneous expenses such as telephone calls, rental cars, and taxis are utilized by the traveler as required to conduct official business. It is impossible to limit these kind of costs. This leaves for consideration, only subsistence costs.

3. An approach to the problem would be to reduce all of the individual high rate area subsistence rates by nine percent. While this would undoubtedly reduce our travel costs, it would also place an arbitrary limitation on expenses for our employees which is lower than those allowable now under the Federal Travel Regulations. It is recognized by all Government

agencies that the current \$75 maximum subsistence rate is inadequate to cover expenses in many high rate areas such as Los Angeles, San Francisco, and Manhattan. The Office of Finance (OF) views any across-the-board reduction of allowable subsistence expenses as being inequitable to travelers and a certain cause of lower employee morale. In addition, the existing rates are statutory. OF is of the opinion that the rates cannot be changed without Congressional action of some kind. The Comptroller General has consistently ruled that special lower per diem rates can be established only on a case-by-case basis where the facts of the travel are known prior to the performance of travel. A proposed nine percent reduction cannot meet this requirement.

4. No Agency component has a greater vested interest in applying a flat rate per diem than OF. We well understand what it has to offer and sincerely hope that it can be adopted at some point in time. The General Services Administration also recognizes the desirability of a flat rate per diem system and they have recently sent draft legislation to OMB for comment prior to submission to Congress. Perhaps, because of budgetary constraints, OMB will not opt to let GSA go to Congress requesting an increase in the \$75 subsistence rate. Because it is a well known fact that many travelers are out of pocket, we do not believe we should attempt to reduce the current rate of reimbursement in order to implement a flat rate per diem policy.

5. If you choose to act contrary to our advice, please be advised that we feel it will be necessary for the Agency to go to its Committees and get a formal approval to deviate from the current statutory per diem/subsistence limitations. Alternatively, we would prefer and suggest that we simply wait for Air Force, Defense Logistics Agency, and GSA to pursue this issue with Congress as we feel that full Government implementation of some form of a flat rate per diem is inevitable.



25X1

DD/A Registry
88-0844/1

24 APR 1985

ADPP 98-85

MEMORANDUM FOR: Deputy Director for Administration

FROM: Allen R. Elkins
Director of Finance

SUBJECT: Estimated Cost of Establishment of a Locally Based
Flat Rate Per Diem System for Domestic Travel

1. To date there have been several estimates of the cost to the Agency of implementing a locally based flat rate per diem system for domestic travel. In May of 1984 the Office of Finance reported on a flat-rate per diem survey conducted on a sampling of 459 travel vouchers, at that time it was determined that the initial yearly cost of implementing this system would be approximately \$600,000 in the first year.

2. Recently the Office of Personnel, Central Travel Services has conducted their own survey of flat-rate per diem costs. This study shows that with a totally automated travel accounting system, which we do not yet have, the costs of travel will be \$880,000 in the first year of implementation. If implementation were to take place today, without total automation, the cost of this system would be approximately \$1,128,000.

3. The Office of Finance recognizes the desirability of a flat-rate per diem system from an employee morale point of view. However, given the current budget restraints and anticipated future funding limitations a serious consideration of the increased costs of this program must be made prior to its implementation.

25X1

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25X1

CONFIDENTIAL

ADMINISTRATIVE - INTERNAL USE ONLY

4. While we are in agreement with the concept and the use of the flat rate per diem process, we must caution that tests to date have indicated that travel costs will increase rather than decrease. Thus, lower travel costs cannot be used as a justification for adoption of this process. The DOD elements involved in the testing of the flat rate per diem concept were given Congressional approval to do so through the authorization process. While the DCI may have the authority to approve the use of the flat rate per diem methodology we believe the Agency must inform our oversight committees (SSCI and HPSCI) prior to implementation.

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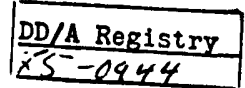
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ADMINISTRATIVE - INTERNAL USE ONLY

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14 MAR 1985
ADPP 53-85

MEMORANDUM FOR: Deputy Director for Administration

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Director of Finance

SUBJECT: Establishment of Flat Rate Per Diem
System for Domestic Travel

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(NON-ACCOUNTABLE FIXED RATE FOR LOCALITY)

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3. ANNUAL PROCESSING COST OF PROPOSED SYSTEM IS \$130,000.

COST SUMMARY

<u>COSTS</u>	<u>ASE</u>	<u>FLAT RATE (W/AUTO)</u>	<u>FLAT RATE (W/O AUTO)</u>
PROCESSING	\$800,000	\$130,000	\$ 378,000
OTHER	7,000	-0-	-0-
INCREASED PAYMENTS TO EMPLOYEES	-0-	750,000	750,000
	<u>\$807,000</u>	<u>\$880,000</u>	<u>\$1,128,000</u>

INTANGIBLES

- * PERCEPTION BY EMPLOYEES OF OUR REDUCING THEIR OUT-OF-POCKET EXPENSES.
- * REDUCE THE INCENTIVE TO PAD EXPENSES.
- * MORE EFFICIENT USE OF PERSONNEL RESOURCES.

FLAT-RATE PER DIEM SURVEY
2 Through 13 April 1984

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